

ORDER NO. 6191

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;
Ann C. Fisher, Vice Chairman;
Mark Acton;
Ashley E. Poling; and
Robert G. Taub

Competitive Product Prices
Inbound Parcel Post (at UPU Rates)

Docket No. CP2022-66

ORDER ACKNOWLEDGING CHANGES IN PRICES
FOR INBOUND PARCEL POST (AT UPU RATES)

(Issued June 7, 2022)

I. INTRODUCTION

On May 23, 2022, the Postal Service filed notice announcing its intention to change prices not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) Rates) effective July 1, 2022.¹ The Commission analyzes the proposed prices pursuant to 39 U.S.C. § 3633(a).

¹ Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), and Application for Non-Public Treatment, May 23, 2022, at 1-2 (Notice).

II. BACKGROUND

Inbound Parcel Post (at UPU Rates). At the time it established separate product lists for market dominant and competitive products in 2007, the Commission assigned Inbound Air Parcel Post to the competitive product list.² In 2009, Inbound Air Parcel Post was bifurcated.³ In Order No. 362, the existing product, Inbound Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU Rates). Order No. 362 at 8-9. The Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU Rates), to the competitive product list. *Id.* An initial review of the new product's prices indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU Rates).⁴

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU Rates) from the market dominant product list to the competitive product list; (2) merge the transferred product with Inbound Air Parcel Post (at UPU Rates); and (3) identify the merged product as Inbound Parcel Post (at UPU Rates).⁵ An initial rate review indicated compliance with statutory requirements. Order No. 2160 at 7. As part of Order No. 2160, Inbound Air Parcel Post (at UPU Rates) and Inbound Surface Parcel Post (at UPU Rates) were merged into a single product identified as Inbound Parcel Post (at UPU Rates). *Id.*

² Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100 (Order No. 43).

³ See Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

⁴ Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014, at 5 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. *Id.* In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU Rates). *Id.* at 5-6.

⁵ Docket No. MC2014-28, Order Approving Product List Transfer, August 19, 2014, at 8 (Order No. 2160).

In Order No. 4933, the Commission directed the Postal Service to include a citation to the relevant UPU International Bureau (IB) Circular; a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted, with each future filing regarding price changes for the Inbound Parcel Post (at UPU Rates) product.⁶

Initial Commission action. On May 23, 2022, the Postal Service filed notice announcing its intention to change prices not of general applicability for the Inbound Parcel Post (at UPU Rates) product, effective July 1, 2022. Notice at 1. On May 25, 2022, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.⁷

III. PROPOSED PRICE CHANGE

The Postal Service filed under seal with the Commission the prices and supporting documents that it represents show compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3035.107. Notice at 2. The Postal Service's Application for Non-Public Treatment of those materials is included in the Notice as Attachment 1. *Id.* A redacted copy of Governors' Decision No. 19-1 is included as Attachment 2. *Id.* A redacted version of UPU IB Circular No. 49, dated March 28, 2022, which provides provisional rates for the Inbound Parcel Post (at UPU Rates) product, is included as Attachment 3. *Id.* at 2-3. The certified statement required by 39 C.F.R. § 3035.105(c)(2) is included as Attachment 4. *Id.* at 3. Redacted Postal Service data used by the UPU to justify bonus payments are included as Attachment 5. The Postal Service also included a redacted copy of UPU IB Circular No. 92, dated July 6, 2020, as Attachment 6. *Id.* In addition, the Postal Service filed redacted Excel versions of the supporting financial

⁶ Docket No. CP2019-43, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), December 19, 2018, at 5 (Order No. 4933).

⁷ Notice and Order Concerning Changes in Rates for Inbound Parcel Post (at UPU Rates), May 25, 2022 (Order No. 6184).

documentation. *Id.* The Postal Service states that it has provided supporting documentation as required by Order No. 2102 and Order No. 2310. *Id.* at 5-6. It also asserts that it provided citations and copies of relevant UPU IB Circulars. *Id.* at 7.

In its Notice, the Postal Service stated that the UPU issued provisional rates for the Inbound Parcel Post (at UPU Rates) product to take effect on July 1, 2022 in March 2022. *Id.* at 3. It explained that these rates were provisional because, during its May 2022 sessions, the UPU's Postal Operations Council decided that some of the rates should be revised and re-issued in a new IB Circular in June. *Id.* at 3-4. The revised rates would be based on service performance during the pre-pandemic period (from August 2019 through January 2020), rather than the most recent 6-month period of August 2021 through January 2022. *Id.* at 4.

At the time of the Postal Service's filing, the revised rates had not yet been issued. *Id.* Given the need for Commission review of the July 2022 rates prior to the end of June, the Postal Service provided the provisional rates from the March 2022 circular, together with supporting financial workpapers, to show sufficiency of cost coverages based on those provisional rates. *Id.* at 4-5. The Postal Service states that it does not expect the rates shown in the March 2022 circular to change in the revised June 2022 circular. *Id.*

On May 27, 2022, the Commission issued Chairman's Information Request No. 1.⁸ CHIR No. 1 asked the Postal Service to explain several inputs to the financial workpapers filed in support of the Notice. On June 6, 2022, the Postal Service filed a response including the requested explanations, as well as noting that the revised rates did not in fact change from the rates in the March 2022 circular when the revised circular was issued on May 30, 2022.⁹

⁸ Chairman's Information Request No. 1 and Notice of Filing Under Seal, May 27, 2022 (CHIR No. 1).

⁹ Responses of the United States Postal Service to Chairman's Information Request No. 1, June 6, 2022.

IV. COMMENTS

The Commission received comments from the Public Representative on June 1, 2022.¹⁰ No other interested party filed comments. Based on his review of the financial data, the Public Representative states that “prices for the Inbound Parcel Post (at UPU Rates) product should generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. §3633(a).” PR Comments at 2. He “recommends that the Commission approve the proposed rates for Inbound Parcel Post (at UPU Rates).” *Id.*

V. COMMISSION ANALYSIS

The Commission reviews price changes for competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (§ 3633(a)(1)); require each competitive product to cover its attributable costs (§ 3633(a)(2)); and require competitive products as a whole to cover an appropriate share of institutional costs (§ 3633(a)(3)).

The Commission has reviewed the Notice, the supporting documentation, and the Public Representative’s comments. The Commission finds that the prices presented in the Notice should not lead to the subsidization of competitive products by market dominant products; should cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Accordingly, the planned rates for the Inbound Parcel Post (at UPU Rates) product satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3035.107.

¹⁰ Public Representative Comments on Postal Service Notice of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), June 1, 2022 (PR Comments).

IV. ORDERING PARAGRAPH

It is ordered:

The Commission acknowledges the planned price changes for Inbound Air and Surface Parcel Post mailpieces within the Inbound Parcel Post (at UPU Rates) product.

By the Commission.

Erica A. Barker
Secretary